

WATER/KPC/FLC/JPT/MXK/EYC/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-4590

April 13, 2006

R E S O L U T I O N

(RES. W-4590), SAN GABRIEL VALLEY WATER COMPANY (San Gabriel), FONTANA AND LOS ANGELES DISTRICTS.

RESOLUTION RECORDING STATUS OF: (a) RESERVE ACCOUNT FILING AND RESULTS OF EARNINGS TEST AND, (b) WATER QUALITY LITIGATION MEMORANDUM ACCOUNT (WQLMA).

SUMMARY

This Resolution approves transfer of the net over-collections included in Advice Letter No. 334 filed April 1, 2005 by San Gabriel for the Fontana District and recovery of the net over-collections included in Advice Letter No. 338, filed July 22, 2005, for the Los Angeles District as required by Decision (D.) No. 03-06-072, June 19, 2003 in Balancing Account Order Instituting Ratemaking (OIR) 01-12-009, which was subsequently modified by D.04-03-049, March 24, 2004¹. This resolution provides a status report on the filing and memorializes resulting account balances. This resolution denies San Gabriel's requests seeking to recover legal expenses in the Water Quality Legal Memorandum Account (WQLMA) in Advice Letters Nos. 334 and 338 without prejudice because this issue is currently being litigated in ongoing General Rate Case (GRC) Application (A.) 05-08-021 and will be further addressed in Investigation (I.) 06-03-001. San Gabriel is fined \$20,000 for not providing information as directed by the Water Division (WD) in violation of Section 581 of the Public Utilities Code, as provided in Section 2107.

¹ OIR 01-12-009 "Order Instituting Rulemaking on the Commission's Own Motion to Evaluate Existing Practices and Policies for Processing Offset Rate Increases and Balancing Accounts in the Water Industry to Decide Whether New Processes are Needed".

BACKGROUND

San Gabriel is a Class A water company that produces, distributes, and sells water through two divisions, the Fontana and Los Angeles districts. The Fontana District serves approximately 42,000-metered services in the Cities of Fontana, Rancho Cucamonga, and Rialto and vicinity, San Bernardino County. The Los Angeles District serves approximately 48,000-metered services in the Cities of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier, and vicinity, Los Angeles County.

The present rate schedules in the Fontana District became effective on January 7, 2006, pursuant to Advice Letter No. 339-W and General Rate Case D.04-07-034, which authorized an increase for attrition year 2006. The current rate schedule in the Los Angeles District became effective on August 4, 2005, pursuant to Advice Letter No. 336-A. In addition, D.05-05-015 implemented a low income program in the Los Angeles District.

As required by D.03-06-072, each Class A water utility must file for recovery, on or before March 31 of the following year, reserve account balances accrued in the calendar year that have been adjusted by the earnings test².

The Los Angeles filing addresses the reserve account balances accrued in the Los Angeles District in three timeframes: (1) November 30 through December 31, 2001 (December 2001); (2) January 1 through December 31, 2002 (calendar year 2002); and (3) January 1 through December 31, 2004 (calendar year 2004). San Gabriel addressed the three timeframes in one advice letter. The Fontana filing addresses the reserve account balances accrued in the Fontana District in one timeframe of January 1 through December 31, 2004 (calendar year 2004).

The balance in each timeframe must be adjusted by any over-earnings during the time period (November 30 through December 31, 2001 where over-earnings are calculated at one-twelfth of the over-earnings for calendar year 2001). Additionally, any revenues already received due to Commission-approved revenue offsets must be credited to the reserve account to determine the amount of recovery or refund. All calculated adjustments include interest at the 90-day commercial paper rate.

² A Class A Water Utility serves over 10,000 service connections.

The advice letters request the following:

For the Fontana District, San Gabriel filed Advice Letter No. 334 requesting authority to offset two memorandum balances totaling \$933,309: \$175,765 over-collection for purchased power, \$54,124 over-collection for water production, and \$1,163,198 under-collection for the WQLMA balancing account. These collections of supply balancing account are for the period from January 1, 2004 to December 31, 2004 inclusive. The balances of the WQLMA are for the period of January 1, 2002 to December 21, 2004. San Gabriel proposes to add a surcharge of \$0.047/Ccf per customer per month for a period of twelve-months in the Fontana District.

For the Los Angeles District, San Gabriel filed Advice Letter No. 338 requesting authority to recover two memorandum balances totaling a net amount of \$614,679. The \$614,679 is calculated by adding the over-collection of \$1,099,399 for the pumped water, purchased water, and purchased power balancing account, and the under-collection of \$1,714,078 for the WQLMA balancing account. San Gabriel proposes to add a surcharge of \$0.034/Ccf (One Ccf is equal to 100 cubic feet) per month for a period of twelve-months in the Los Angeles District.

According to the filing, for calendar year 2004 San Gabriel's recorded rate of return (with adjustments) in the Fontana District was 8.26% and in the Los Angeles District was 9.34%. The authorized rate of return was 9.40% for Fontana District and 9.43% for Los Angeles District. For 2004, the recorded rate of return was 8.27% for Fontana District and 9.10% for Los Angeles District.

NOTICE AND PROTESTS

San Gabriel has given public notice of the request for an increase by publishing in a local newspaper for the Fontana District on April 12, 2005. Proof of Publication has been provided to staff and no protest letters were received.

According to San Gabriel, the Los Angeles District filing is made in compliance with D.05-07-044 and no further customer notification is required. No other parties have requested notification of tariff filings related to the Los Angeles Division.

DISCUSSION

Recovery of purchased water, purchased power, and pump tax (groundwater extraction charge) included in Advice Letters Nos. 334 and 338 was requested in compliance with D.03-06-072 (the Decision), which was subsequently modified by D.04-03-049, March 29, 2004. D.03-06-072 Conclusion of Law 6 states:

“Consistent with the procedures designated in Appendix A, a utility shall seek review of under and over collections in accounts by filing an annual advice letter with the Commission’s WD. Except as designated in Appendix A, account recovery or refund will be implemented in the utility’s next general rate case decision. Upon authorization of the new general rate case rates, the previous account will be closed. Each utility’s annual advice letter seeking account review shall be filed by March 31 of the year following the year, which is the subject of the request. A utility’s advice letter seeking account review for November 29, 2001 through December 31, 2002 shall be filed no later than 90 days from the mailing date of this decision. ”

The existing procedure for recovery of reserve accounts is as follows:

- (1) Class A water utilities must file on or before March 31 of the following calendar year to recover purchased power, purchased water, and pump tax reserve account balances through December 31 of the prior calendar year.
- (2) The total of the reserve account balances in each district must undergo a recorded earnings test.
- (3) Based upon the results of the earnings test, reserve account balances must be adjusted to account for revenues in excess of the utility’s last authorized rate of return.
- (4) Utilities, at their option, may request a surcharge once under-collections reach 2% of their last authorized revenue requirement. Balances of under 2% (either under-collections or over-collections) shall be retained for later recovery.
- (5) Otherwise, balancing account review and recovery of remaining balances are processed at the time of the utility’s next General Rate Case.

Recovery of purchased power, purchased water, and pump tax included in Advice Letters Nos. 334 and 338 have been determined to be eligible for disposition. WD's findings are explained in the following paragraphs.

For the Fontana District, the 2004 combined expense component in the supply expense reserve account was an over-collection of \$229,889 with interest. This represents a refund of 0.59%. The recovery requested for the Fontana District is for refund of an over-collection balance that is less than 2%. Therefore, the balance of this account should be transferred to the 2005 balancing account.

For the Los Angeles District, for December 2001, the combined expense component in the supply expense reserve account was an over-collection of \$71,438 with interest. For 2002 the combined expense component in the supply expense reserve accounts was an undercollection of \$257,119 with interest. For 2003, the components were addressed in Res. W-4505 and not an included timeframe in this calculation. For 2004 the combined expense component in the supply expense reserve account was an over-collection of \$1,285,080 with interest. The net incremental expense surplus is an over-collection of \$1,099,399.

Therefore, the Staff recommends that Los Angeles District be authorized to refund revenue of \$1,099,399 or 2.64% in its Los Angeles District by assessing a surcredit of \$0.0615 per Ccf for a period of 12 months to remove the over-collection balance in its pumped water, purchased water, and purchased power balancing accounts as of December 31, 2004. During the 12-month amortization period, the proposed surcredit will lower the typical residential customer's monthly bill (with a 5/8" x 3/4" meter and using 23 Ccf/mo.) by \$1.42 or 2.69% from \$52.54 to \$51.12.

The calculations were checked by Water Division and found to be in conformance with the Decision. San Gabriel should be allowed to impose the requested surcredits. Generally, the service provided by San Gabriel is satisfactory.

WATER QUALITY LITIGATION MEMORANDUM ACCOUNT

San Gabriel indicates in Advice Letters Nos. 334 and 338 that it filed the advice letters in compliance with D.03-06-072 (the Decision), which was subsequently modified by D.04-03-049, on March 29, 2004. Section IV.B. of the Decision states:

“The 1978 balancing account policy for Class A and B water and sewer utilities required that multi-district utilities maintain separate balancing accounts for each district and that each district keep three separate balancing accounts for (1) water production cost offsets, including purchased water and purchased power; (2) ad valorem tax offsets; and

(3) all other types of offsets. The balancing account balances were to be amortized at the time of a general rate case; however, the availability of balancing accounts to record over and under-collections of offsettable expenses is continuous. For the most part, the 1978 policies are in place today.”

The Decision goes on to state:

“In 1994, the Commission issued D.94-06-033, 55 CPUC2d 158 in its investigation into the financial and operational risks of regulated water utilities (the Risk OII). This decision addressed some balancing account issues for Class A water utilities, specifically water quality expenses. The decision considered but rejected a utility proposal for a program of complete expense protection using a broad memorandum account, reasoning that the majority of water quality costs could be forecasted with reasonable accuracy and included in a general rate case application. However, it permitted water utilities to seek authority in a general rate case or by application to add other specific water quality expenses to the Water Quality Memorandum Account.”

There is no statutory language in Commission Resolutions/Decisions that authorizes the combining of the production cost offsets with other types of offsets, such as the water quality costs. There also seems to be no precedent set in other Resolutions/Decisions which adopts and orders a water utility to combine supply balancing account expenses and Water Quality Litigation Memorandum Account costs.

For Advice Letter No. 334, the utility contends D.04-07-034, Ordering Paragraph No. 12 authorized San Gabriel to “amortize through rates all existing balances in its balancing and memorandum accounts, as detailed in today’s decision”. However, there is additional language in the Decision which pertains to the treatment of the WQLMA. D.04-07-034 Conclusions of Law state:

(6) In its next NOI filing, San Gabriel should address the rate-making treatment of all sale and condemnation proceeds from 1996 onwards.

(8) The rate-making treatment of the remaining \$6.0 million San Gabriel received from the County as compensation for damages to its water rights, along with other sales and condemnation proceeds San Gabriel received from 1996 onwards, should be deferred to the next GRC proceeding.

D.04-07-034 Ordering Paragraphs state:

(14) San Gabriel is authorized to implement a water quality memorandum account and it may add to this account future expenditures related to water quality, including operations and maintenance expenses of needed wellhead treatment facilities that cannot reasonably be forecasted, and also to record any reimbursements from polluters or government funding proceeds received for the construction and operation of the new treatment facilities.

(17) The Commission's WD shall audit all sale and condemnation proceeds received by San Gabriel from 1996 onwards.

Likewise for the Los Angeles District, San Gabriel notes in its Advice Letter 338 filing that D.05-07-044, Ordering Paragraph Nos. 8 and 15, authorizes San Gabriel to begin recovering balances in its WQLMA and amortizing the purchased water, pumped water, and purchased power balancing accounts as of December 31, 2004. Additional language in regards to this matter can be found in D.05-07-044 Ordering Paragraphs:

(6) San Gabriel shall credit the \$3.5 million Baldwin Park Operable Unit settlement amount at issue in this proceeding, and any other, similar contamination settlements amounts it has received or will receive in the future that are not designated for capital and operating costs of remediation facilities, to its LA Division ratepayers through the water quality litigation memorandum account, effective on the date each amount was or is received.

(7) San Gabriel's request to amortize the amount in its LA Division water quality litigation memorandum account associated with pursuit of contaminators is denied. That component of the final water quality memorandum account balance cannot be known and will not be adjudicated until most or all of San Gabriel's litigation against polluters in LA Division has been concluded.

(8) San Gabriel is authorized to file an advice letter to begin recovering the balance as of December 31, 2004 in its water quality litigation memorandum account associated with its defense of water quality litigation for LA Division. The advice letter shall include proposed tariff sheets and work papers, and shall go into effect upon Water Division's determination that it complies with this decision and the Commission's established procedures for recovering memorandum account balances.

(9) San Gabriel shall continue to record in its LA Division water quality litigation memorandum account, for later evaluation and possible recovery, its ongoing

defense-related water quality litigation costs and all defense-related amounts received from polluters and insurers.

(13) San Gabriel's request to add to its LA Division water quality memorandum account future expenditures related to water quality, as described in the application and discussed in the body of this decision is denied.

(15) San Gabriel is authorized to file an advice letter to begin amortizing the amounts recorded in its purchased water, pumped water, and purchased power balancing accounts as of December 31, 2004, or such later date as San Gabriel and the Commission's Water Division may jointly agree. Amortization in rates shall be subject to the Commission's and Water Division's standard procedures for validating the amounts claimed in such advice letters.

The language in the two decisions referenced by these Advice Letters does not authorize San Gabriel to combine the supply cost balancing account and the WQLMA. Ordering Paragraph No. 8 in D.05-07-044 as mentioned above requires WD's determination that it complies with D.05-07-044 and the Commission's established procedures for recovering memorandum account balances. On June 3, 2005, the WD rejected Advice Letter No. 333-W filed April 1, 2005 requesting authorization to amortize a net undercollection of \$2,986,491 including a recovery of the an undercollection of \$4,085,890 resulting from expenses in the WQLMA in the Los Angeles District. The letter indicated that the recovery of legal expenses in the WQMLA should be submitted separately for reasonableness review and may not be combined with balancing account for the offsettable expenses. WD directed San Gabriel to file a new advice letter and address the treatment of balancing accounts for offsettable expenses by June 20, 2005. Still, San Gabriel chose to violate WD's directives by filing Advice Letter No. 338 on July 22, 2005 requesting recovery of WQLMA expenses in the Los Angeles District.

By doing so San Gabriel violated Section 581 of the Public Utilities Code, which requires each utility to supply full and correct answers to questions submitted to it:

"Every public utility shall furnish to the commission in such form and detail as the commission prescribes all tabulations, computations, and all other information required by it to carry into effect any of the provisions of this part and shall make specific answers to all questions submitted by the commission. Every public utility receiving from the commission any blanks with directions to fill them shall answer fully and correctly each question propounded therein, and if it is unable to answer question, it shall give good and sufficient reason for such failure."

In addition, Rule 1 of the Commission's Rules of Practice and Procedure, requires that persons signing a pleading or entering an appearance, or doing business with the

Commission provide accurate, truthful, and non-deceptive information to the Commission and its staff.

The Commission will fine San Gabriel \$20,000 (San Gabriel may have committed more than one offense) for not providing information as directed by the Water Division in violation of Section 581 of the Public Utilities Code, as provided in Section 2107:

“Any public utility which violates or fails to comply with any provisions of the Constitution of this state or this part, or which fails or neglects to comply with any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the commission, in a case in which a penalty has not otherwise been provided, is subject to a penalty of not less than five hundred dollars (\$500), nor more than twenty thousand dollars (\$20,000) for each offense.”

Based on severity of the offense, the conduct of the utility, and future deterrence purposes, we believe that a fine of \$20,000 is appropriate. San Gabriel is directed to pay this fine within 30 days from the effective date of this resolution. Should San Gabriel decide not to pay the fine, it may request a formal hearing in which it can prove why it should not be fined \$20,000. Should San Gabriel ask for a formal hearing in connection with the \$20,000 penalty, it will be incorporated as a separate phase of the currently open Order Instituting Investigation (OII) (I.06-03-001).

In addition, as mentioned earlier, D.04-07-034 Ordering Paragraph No. 17 ordered an audit of all sale and condemnation proceeds received by San Gabriel from 1996 onwards. The Water Division’s Audit and Compliance Branch (WDACB) produced a report titled “Audit Report on the Results of Limited Examination of San Gabriel Valley Water Company” dated August 2005.

In the WDACB report, Chapter 12 titled “Litigation Memorandum Account” stated “Staff takes the position that the water contamination settlement proceeds received by SGV should be recorded as an offset to any costs recorded in the memorandum account”. The report included two documents in the Appendices (9, 10) which show the summary memorandum account for each Division. These documents showing the balances for the Water Quality Litigation are identical to the ones filed with Advice Letters Nos. 334 and 338 for the Fontana District and Los Angeles District, respectively.

For the Los Angeles District, WDACB staff noted that the Baldwin Park operable unit (BPOU) settlement agreement provides a total payment of \$3.5 million to San Gabriel. During the audit, San Gabriel has received at least \$2.1 million of the \$3.5 million and booked the proceeds as company surplus. Staff indicates that at the end of 2004, San Gabriel has received \$2,658,726 in payments which were not recorded as an offset in the WQLMA.

Likewise for Fontana District, staff questioned the reasonableness of imposing a surcharge in the last rate case that resulted in collecting \$500,340 from ratepayers when San Gabriel, prior to that rate case, had received \$8,559,863 in water contamination settlement proceeds. Staff's position is that "These excess proceeds should be recorded as an offset to the litigation and other costs in the memorandum accounts".³

The recommendations of WDACB staff include:

"As an alternative to determining the ratemaking treatment of water contamination proceeds as Section 790 as SGV claims them to be, the current Fontana GRC should include a review to determine the ratemaking treatment of \$16,844,853 excess water contamination proceeds (included as part of the \$27,456,307) that SGV received during 1996 to 2004."

"One alternative for determining the ratemaking treatment of the \$16,844,853 excess contamination proceeds is to record them as an offset to SGV's water quality litigation memorandum accounts, with any remaining excess to be allocated to ratepayers."

On March 2, 2006, we opened I.06-03-001 to commence a companion investigation to the GRC to be consolidated and heard with A.05-08-021. The investigation is to afford the parties and the Commission an opportunity and forum to provide and consider evidence on issues of interest. I.06-03-001 will address among other issues, the WDACB's audit report and all issues raised in A.05-08-021. Accordingly, San Gabriel's request to recover the WQLMA balances in Advice Letters Nos. 334 and 338 is denied without prejudice.

COMMENTS

Public Utilities Code §311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Code §311(g)(2) provides that this 30-day period may be waived or reduced upon stipulation of all parties in the proceeding.

The 30-day comment period for the draft resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed

³ Page 34 of the "Audit Report on the Results of Limited Examination of San Gabriel Water Company (Audit Pursuant to D.04-07-034)"

on the Commission's agenda no earlier than 30 days from the date of mailing of this resolution to the parties.

FINDINGS

1. San Gabriel states that it filed Advice Letters Nos. 334 and 338 in compliance with Ordering Paragraph Nos. 2 and 14 of D.04-07-034 and Ordering Paragraph Nos. 8 and 15 of D.05-07-044.
2. The existing procedure for recovery of balancing accounts is as follows: (1) Utilities, at their option, may request a surcharge once over/under-collections reach 2%; (2) Otherwise, balancing account review and recovery of remaining balances are processed at the time of the utilities' next general rate case.
3. The refund in Advice Letter No. 334 is under 2% of the last authorized revenue requirement. The balance should be transferred and tracked in the 2005 Balancing Account.
4. The refund in Advice Letter No. 338 is over 2% of the last authorized revenue requirement. Refund of \$0.0615 per Ccf to be applied to the quantity rates for a period of 12 months by surcredit should be authorized. This recovery should be tracked in a balancing account.
5. The language in the two Decisions referenced by these advice letters does not support the combination of the supply cost balancing account and the WQLMA.
6. Water Division directed San Gabriel to separate the WQLMA balance from the supply cost balancing accounts for each Division, and the company did not comply.
7. There is no statutory language in Commission Resolutions/Decisions nor set precedent that authorizes the combining of the production cost offsets with other types of offsets, such as the water quality costs.
8. As directed by Ordering Paragraph No. 17 of D.04-07-034, the Audit and Compliance Branch issued a report which recommended that the litigation proceeds be accounted for properly in any request by San Gabriel for recovery of the WQLMA.
9. This resolution denies without prejudice San Gabriel's requests seeking to recover legal expenses in the WQLMA in Advice Letters Nos. 334 and 338 as this issue is litigated in ongoing GRC A.05-08-021 and will be further addressed in I.06-03-001.

10. Water Division processed the Advice Letters by separating the WQLMA balances out of the purchased water, pump tax, and purchased power balancing accounts.
11. The Commission finds, after investigation by the WD, that the recovery of WQLMA expenses requested by San Gabriel in Advice Letters Nos. 334 and 338 are not justified. The Water Division has decoupled the filings to exclude the WQLMA expenses and the resulting rates are just and reasonable.
12. San Gabriel's request to recover the WQLMA balances in Advice Letters Nos. 334 and 338 is denied without prejudice and attached rate schedules are rejected.
13. On June 3, 2005, Water Division rejected Advice Letter No. 333-W and directed San Gabriel to submit the WQLMA separately for reasonableness review.
14. San Gabriel chose to violate Water Division's directives by filing Advice Letter No. 338 on July 22, 2005 requesting recovery of WQLMA expenses and by doing so violated Section 581 of the Public Utilities Code.
15. Based on severity of the offense, the conduct of the utility, and future deterrence purposes, the Commission will fine San Gabriel \$20,000 for not providing information as directed by the Water Division in violation of Section 581 of the Public Utilities Code, as provided in Section 2107.
16. Should San Gabriel decide not to pay the fine, it may request a formal hearing in which it can prove why it should not be fined \$20,000.
17. Should San Gabriel ask for a formal hearing in connection with the \$20,000 penalty, it will be incorporated as a separate phase of the currently open OII (I.06-03-001).

THEREFORE IT IS ORDERED THAT:

1. San Gabriel Valley Water Company is directed to transfer \$933,309 in Advice Letter No. 334 for Fontana District to the 2005 balancing account.
2. San Gabriel Valley Water Company, Los Angeles District, is authorized to file an advice letter adopting Schedules Nos. LA-1, General Metered Service; LA-3L, Limited Irrigation Service, and LA-6, Reclaimed Water Metered Service, attached to this resolution as Appendix A and to concurrently cancel its presently effective rate schedules. The effective date of the revised rate schedules shall be five days after the date of its filing.

3. San Gabriel Valley Water Company is directed to pay a fine of \$20,000 within 30 days from the effective date of this resolution. Check should be made payable to: “California Public Utilities Commission for deposit to the General Fund”.
4. San Gabriel Valley Water Company is directed to keep maintaining its balancing accounts as required by Res. No. W-4467.
5. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 13, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

APPENDIX A
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Schedule No. LA-1
Los Angeles County Tariff Area
GENERAL METERED Service
(continued)

RATES (continued)

	<u>Per Battery</u> <u>Per Month</u>
For two 2-inch meters	\$ 261.56
For three 2-inch meters	391.80
For four 2-inch meters	523.15
For two 3-inch meters	490.30
For three 3-inch meters	734.95
For two 4-inch meters	816.46
For three 4-inch meters	1,223.00
For one 8-inch meter, one 2-inch meter	1,438.20

This service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is to be added to the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

(D)

1. A reserve account surcredit of \$0.0615 per Ccf is to be applied to the quantity rates (N)
for a 12-month period from the effective date of Advice Letter _____. (N)
2. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

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Schedule No. LA-3L
Los Angeles County Division
LIMITED IRRIGATION SERVICE
(continued)

SPECIAL CONDITIONS (continued)

- (D)
5. A reserve account surcredit of \$0.0615 per Ccf is to be applied to the quantity rates (N)
for a 12-month period from the effective date of Advice Letter _____. (N)
6. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

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Schedule No. LA-6
Los Angeles County Division
RECLAIMED WATER METERED SERVICE
(continued)

RATES (continued)

	<u>Per Battery</u> <u>Per Month</u>
For two 2-inch meters	\$ 261.56
For three 2-inch meters	391.80
For four 2-inch meters	523.15
For two 3-inch meters	490.30
For three 3-inch meters	734.95
For two 4-inch meters	816.46
For three 4-inch meters	1,223.00
For one 8-inch meter, one 2-inch meter	1,438.20

This service charge is a readiness-to-serve charge, which is applicable to all metered service and to which is to be added to the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The Quantity Rate is set at 85% of the Quantity Rate of Schedule No. LA-1.
2. The customer is responsible for compliance with all local, state, and federal rules, and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
(D)
4. A reserve account surcredit of \$0.0615 per Ccf is to be applied to the rates for a 12-month period from the effective date of Advice Letter _____.
(N)
(N)
5. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.